

TESTIMONY IN FAVOR OF S.B. 379 and S.B. 392 - LAND VALUE TAXATION

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Mr./Madame Chairman:

My name is Catherine Orloff, and I have come from Providence, Rhode Island in order to testify in favor of these bills on land-value taxation. I am a public school teacher on vacation this week, but I am also a former state-certified real-estate appraiser who dealt in both residential and commercial properties.. I realize that I am a foreigner here, and so will be brief, but want to congratulate all of you who are considering this tax idea for Hartford. It is in my opinion a brilliant idea, a marvelous concept, and one that is sadly so little known today, even as we struggle with severe economic difficulties here in your state, in my state, and throughout the country. So it seems to me that you have a wonderful opportunity here today to allow some important thinking to happen.

Since I learned of the land-value tax, more than 30 years ago, I have always thought that one of its best features is its proportionality. Everyone knows that a piece of land costs more in a city than in a small town. If you want to start almost any business, a city is the ideal place to locate because there are more people coming and going, and these people are your potential customers. There are also other businesses already present that may support yours. And if you locate on a main street, you get high visibility -- and better yet close to a highway exit with easy access to interstates -- you almost can't lose. So it is just these features of a city site that make urban land valuable. And what is wonderful about the land-value tax, and seldom pointed out, is that it is in these high-land-value cities where we need the most public services: more roads, more police, more fire, more schools, more city planning, etc. So there is an automatic tax base

provided for us! Conversely, small towns have low land values, and they also need fewer public services. It's a beautiful system!

Well yes, but cities have actually not been so beautiful as the years have gone by. Why have large sections of virtually every American city become so ugly, if we have this beautiful tax base in place?

The problem arises and has arisen, in Hartford, in Providence, and elsewhere, from not taxing land values enough, from skimping on this naturally-provided tax base, and instead taxing other things, like dwellings and commercial buildings in the property tax, but also business inventories, wages, incomes, sales, sometimes restaurant meals, car rentals, and the myriad of other taxes that exist today. Besides dampening incentive and discouraging productive people, the real harm comes in leaving the valuable land parcels under-taxed. Why is this?

Because land owners, being usually prudent people like the rest of us, have seen their values skyrocket over the past few decades, and have naturally held on for even greater increases in the future. If 5 years ago you knew that your little city parcel was worth \$100,00, but you realized that in just a few years it would probably be worth closer to \$150,000 or more, you would likely be careful to not let it go too cheaply, because that's a greater return than you could have gotten for money invested in almost any other way. Before I worked in real estate, I would see For Sale signs on well-located properties, right on main streets, and wonder, "Now why has that sign been up for months? No-one wants that location? It looks good to me." But once I was a broker I learned that actually, many, many people want that location. There are all sorts of people who have good and creative ideas of businesses to start there. They have done their homework, been to the bank, crunched the numbers and they come in with the offer that will make it work for them, start a business that will allow them to hire people and get development

going. But time and time again, the number is too low, even after negotiations, the deal falls apart, the landowner is under no pressure to sell and is waiting for that higher price next year. The property tax on his land value is not high enough of an incentive to cause him to sell. If the land-value tax shift that you are considering occurs, owners will not be able to hold out in this non-productive way. In America we believe in the right to own land, this is true. *But we must ask ourselves, do we want to keep giving the right to own vacant valuable land and do virtually nothing with it AND prevent others from using it too?* Or would a “use it or lose it” philosophy be better for valuable land, since we all know that it is only on land that economic activity can take place? (Businesses do not float around in thin air, except perhaps the hot-air balloon business!) Do we want to continue to allow this land-speculation poison that causes vacant, trashy lots in virtually every city, and, far worse, causes our unemployment, our poverty, our need for social services, because business start-ups are blocked by high land costs? What you have before you today are some really important and fundamental questions.

I realize that this connection between under-used valuable land and unemployment and poverty has seldom if ever been made explicit, even among economists, for reasons we can't go into today. But talk to any business owner, small business or huge corporations. Ask how important land costs are. Very important, always. Land costs are a huge reason New England lost manufacturing to the South, and the U.S. loses jobs to Mexico and what are called “low wage” countries. They are really “cheap land” countries, because U.S. land is locked up in the expensive grip of land speculation, which has once again threatened the very heart of our economy.

Finally, although I criticize today's property tax for not taxing land values enough and taxing buildings too much, that does not at all mean that I favor lowering or getting rid of the

property tax! Imperfect though it has been, the property tax *has* collected significant amounts of land value for the public over the years, and has been responsible for the stability and the many still-good aspects of our public life today. It only needs to be tweaked, to be improved, and so to bring about great and exciting benefits to our cities, hopefully with Hartford in the lead. In conclusion, I congratulate you on studying this issue, keeping an open mind, and I thank you for your attention today. ##